

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF THE COUNTY OF SAN BERNARDINO
AND RECORD OF ACTION**

October 27, 2020

FROM

**TERRY W. THOMPSON, Director, Real Estate Services Department
PHALOS HAIRE, Director Preschool Services Department**

SUBJECT

Sub-Lease Agreement with Redlands Valencia Grove I Associates LP for Classroom and Office Space and Land for Playground Area for the Preschool Services Department in Redlands

RECOMMENDATION(S)

1. Rescind a 15-year Lease Agreement No. 17-465 with the Housing Authority of the County of San Bernardino approved and executed by the Board of Supervisors on June 27, 2017 which commenced June 27, 2017 and provides for the lease of approximately 2,992 square feet of office and classroom space and approximately 1,500 square feet of land for a playground area at 125 Horizon Avenue in Redlands for the Preschool Services Department in the amount of \$335,328.
2. Approve a 15-year sub-lease **Agreement No. 20-1074** with Redlands Valencia Grove I Associates LP with a lease term retroactive to June 27, 2017, and with rental payments that commenced on August 27, 2018 when tenant improvements were completed, for approximately 2,992 square feet of office and classroom space and approximately 1,500 square feet of land for a playground area at 125 Horizon Avenue in Redlands for the Preschool Services Department in the amount of \$295,380
(Presenter: Terry W. Thompson, Director, 387-5252)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

**Operate in a Fiscally-Responsible and Business-Like Manner.
Pursue County Goals and Objectives by Working with Other Agencies.**

FINANCIAL IMPACT

Approval of this item will not result in the use of additional Discretionary General Funding (Net County Cost). The total cost of this 15-year agreement is \$295,380. Lease payments will be made from the Real Estate Services Department (RESA) Rents budget (7810001000) and reimbursed from the Preschool Services Department (PSD) budget (5911902220). The PSD Budget is 86% federally funded and 14% state funded. Other costs associated with this lease include custodial, minor interior maintenance, and utility and telephone expenses, which will be paid from the PSD budget. Sufficient appropriation is included in the 2020-21 budget and will be included in future recommended budgets. Annual lease costs are as follows:

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<u>Year</u>	<u>Lease Costs</u>	<u>Estimate of Other Costs Associated With This Lease</u>
August 27, 2018 – August 26, 2019	\$ (19,776)*	\$ 21,176
August 27, 2019 – August 26, 2020	\$ (20,172)*	\$ 22,023
August 27, 2020 – August 26, 2021	\$ 20,580	\$ 22,904
August 27, 2021 – August 26, 2022	\$ 20,988	\$ 23,820
August 27, 2022 – August 26, 2023	\$ 21,408	\$ 24,773
August 27, 2023 – August 26, 2024	\$ 21,840	\$ 25,764
August 27, 2024 – August 26, 2025	\$ 22,272	\$ 26,794
August 27, 2025 – August 26, 2026	\$ 22,728	\$ 27,866
August 27, 2026 – August 26, 2027	\$ 23,172	\$ 28,981
August 27, 2027 – August 26, 2028	\$ 23,640	\$ 30,140
August 27, 2028 – August 26, 2029	\$ 24,108	\$ 31,346
August 27, 2029 – August 26, 2030	\$ 24,588	\$ 32,599
August 27, 2030 – August 26, 2031	\$ 25,080	\$ 33,903
August 27, 2031 – August 26, 2032	<u>\$ 25,584</u>	<u>\$ 35,260</u>
Total Cost	\$295,380	\$387,349

*Payments made to Housing Authority of San Bernardino County (not included in the total cost).

BACKGROUND INFORMATION

The recommended action will rescind a 15-year lease agreement with the Housing Authority of the County of San Bernardino (HACSB) previously approved by the Board of Supervisors (Board) and approve a new 15-year sub-lease agreement with Redlands Valencia Grove I Associates LP. (RVG) The new agreement provides for the lease of approximately 2,992 square feet of office and classroom space and approximately 1,500 square feet of land for a playground area located at 125 Horizon Avenue in Redlands (Property) for PSD, replicates all the terms and conditions of the previously approved lease agreement with HACSB and correctly names RVG as the lessor.

On June 27, 2017 (Item No. 45), the Board approved a 15-year Lease Agreement No. 17-465 (Lease), with two five-year options to extend the term of the lease, with HACSB, for the Property for the period of June 27, 2017 through June 26, 2032. The Lease commenced on June 27, 2017 when fully executed by the Board. Rent payments under the Lease commenced on August 27, 2018 when the tenant improvements were completed and will cease on June 26, 2033, the 15th anniversary of the Lease. A certificate of occupancy was issued by the City of Redlands on August 27, 2018, which was the first date PSD could occupy the premises.

In February 2019, HACSB contacted PSD and advised that HACSB, the entity named as the lessor in the Lease with the County was in error and was not the legal entity of record to lease the Property. HACSB was initially and correctly identified as the fee title owner of the Property. However, the County was unaware of the existence of a ground lease (Master Lease) between HACSB and RVG which provided for a leasehold interest in the land for a term of 99 years that extends beyond the term of the proposed sub-lease. The Master Lease provided consent from HACSB to RVG to construct an 85-unit affordable housing complex and related improvements (Improvements) with low income housing tax credits on a larger portion of HACSB-owned property that is inclusive of the Property. PSD requested the RESD prepare an amendment to correctly name RVG as the proper lessor of the Property. During a review of the Master Lease by County Counsel, it was determined that a sub-lease, identical in terms with Lease Agreement

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No. 17-465 should be utilized to replace HACSB with RVG as lessor. A review of the sub-lease structure by the California Tax Credit Allocation Committee was required as the Improvements were financed with tax credits, (tax exempt funding) and the premises are to be sub-leased by the County, a tax exempt entity. That approval was recently obtained, which delayed presentation of this item to the Board for approval until now. This new sub-lease agreement with RVG provides for the lease of approximately 2,992 square feet of classroom and office space and approximately 1,500 square feet of land for a playground area located at 125 Horizon Avenue in Redlands for the period retroactive to June 27, 2017 through June 26, 2032, acknowledges payment of rent by the County commencing on August 27, 2018, and incorporates all other conditions and terms of the lease document approved by the Board on June 27, 2017.

Staff has reviewed the recommended action pursuant to the California Environmental Quality Act (CEQA) and has determined that it does not constitute a project. Accordingly, no further action is require under CEQA.

Summary of Sub-Lease Terms

Lessor: Redlands Valencia Grove I Associates, LP
(Maria Razo, Secretary Treasurer)

Location: 125 Horizon Avenue, Redlands

Size: A total of approximately 4,492 square feet, comprising approximately 2,992 square feet of classroom and office space and approximately 1,500 square feet of land for a playground area

Term: 15 years commencing and retroactive to June 27, 2017

Options Two five-year options

Rent: Cost per sq. ft. per month: \$0.50/sq. ft. modified gross*
(classroom/office space within an existing building and within a five-bedroom house)
Monthly: \$1,496
Annual: \$17,952

Cost per sq. ft. per month: \$0.08/sq. ft. modified gross*
(land for four modular buildings and a playground area)
Monthly: \$120
Annual: \$1,440
*Low-range for comparable facilities in the Redlands area per supporting lease comparables on file

Annual Increases: Approximately 2%

Improvement Costs: Improvements to the existing classroom and office space and installation of County-owned playground equipment, a shade

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structure, fencing and other modifications performed by County at its cost, following the completion of the Lease Contingencies.

- Custodial: Provided by County
- Maintenance: Provided by Lessor except that County will pay for minor interior maintenance
- Utilities: Provided by County
- Insurance: The Certificate of Liability Insurance, as required by the sub-lease, is on file with RESD
- Right to Terminate: The sub-lease will automatically terminate in the event PSD does not receive funds from the grant award and the County has the right to terminate with 90-days' notice
- Parking: 5 unreserved parking spaces; sufficient for County needs

PROCUREMENT

This sub-lease is exempt from the procurement process required by County Policy12-02 – Leasing privately owned Real Property for County Use, as the sub-lease is with another governmental agency.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Bonnie Uphold, Deputy County Counsel, and Adam Ebright Deputy County Counsel, 387-5455) on October 2, 2020; PSD, (Cheryl Adams, Deputy Director, 387-9845) on September 25, 2020; Purchasing Department (Bill Brock, Buyer II, 387-2464) on September 24, 2020; Finance (Paul Garcia, Administrative Analyst, 386-8392 and Carl Lofton, Administrative Analyst, 387-5404) on October 9, 2020; and County Finance and Administration (Matthew Erickson, County Chief Financial Officer, 387-5423) on October 9, 2020.

(KB: 677-7961)

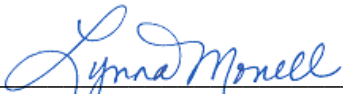
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Record of Action of the Board of Supervisors
County of San Bernardino

APPROVED (CONSENT CALENDAR)

Moved: Robert A. Lovingood Seconded: Josie Gonzales
Ayes: Robert A. Lovingood, Janice Rutherford, Dawn Rowe, Curt Hagman, Josie Gonzales

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: October 27, 2020



cc: RESD- Thompson w/agree
Contractor- C/O RESD w/agree
File- w/agree
LA 11/5/2020